

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 ACDA-07 OMB-01 IO-13 EB-07 COME-00 TRSE-00

AID-05 FEA-01 /089 W

-----080638Z 109822 /10

R 080550Z JUN 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 8419

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

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E.O. 11652: N/A

TAGS: EINV EAID JA SN

SUBJECT: JAPANESE SUPPORT FOR SINGAPORE PETROCHEMICALS COMPLEX

REF: (A) TOKYO 7218 (B) TOKYO 8416

1. SUMMARY. PLANS FOR JAPANESE EQUITY PARTICIPATION IN PROJECTED SINGAPORE PETROCHEMICALS COMPLEX ARE GOING FORWARD IN WAKE OF PRIME MINISTER LEE'S VISIT TO TOKYO. ALL TWELVE LEADING JAPANESE PRODUCERS OF PETROCHEMICALS AND JAPANESE OVERSEAS ECONOMIC COOPERATION FUND (OECF) WILL COMBINE TO INVEST IN ONE OF PROJECTS PLANNED FOR COMPLEX, AND WORK IS EXPECTED TO BEGIN ABOUT SEPTEMBER. EQUITY SHARE OF SUMITOMO, THE LEADER AMONG JAPANESE PETROCHEMICALS PRODUCERS, IS ABOUT EQUAL TO THE TOTAL OF ALL OTHER PROJECTED PRIVATE AND OECF EQUITY INVESTMENT IN PROJECT.

2. POLITICAL CHARACTER OF JAPANESE DECISION IS EMPHASIZED
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BY PROSPECTIVE OECF PARTICIPATION, WHICH IS MOST UNUSUAL FOR ANY INVESTMENT IN INDUSTRIAL PRODUCTION. END SUMMARY.

3. PLANS FOR JAPANESE PARTICIPATION IN SINGAPORE PETRO-CHEMICAL COMPLEX ARE GOING FORWARD IN WAKE OF DECISION WHICH PRECEDED PRIME MINISTER LEE'S VISIT TO TOKYO.

4. ACCORDING FONOFF (SECOND SOUTHEAST ASIA DEP/DIR ABE) ONE TURNING POINT IN JAPANESE CONSIDERATION OF PETROCHEMICALS COMPLEX (SEE ALSO REF B) CAME IN EARLY APRIL 1977 WHEN MITSUI, READING PROBABLE JAPANESE GOVERNMENT INTENTIONS WITH RESPECT TO PLANNED COMPLEX, BECAME THE SIXTH OF THE TWELVE MAJOR PETROCHEMICAL MANUFACTURING ORGANIZATIONS IN JAPAN TO PLEDGE SUPPORT FOR PROJECT. SINCE SUMITOMO IS BY FAR THE LARGEST JAPANESE PRODUCER IN PETROCHEMICALS FIELD, THIS CONSTITUTED EFFECTIVE MAJORITY PARTICIPATION BY THE INDUSTRY IN JAPAN. BECAUSE OF PHILIPPINE PRESIDENT MARCOS'S VISIT AT END APRIL, JAPANESE GOVERNMENT DID NOT FORMALLY CONSIDER AND APPROVE PROJECT UNTIL MAY; ACCORDING TO ABE, THE OVERSEAS ECONOMIC COOPERATION FUND, IN LINE WITH THE GOVERNMENT'S APPROVAL, WILL ANNOUNCE ITS PARTICIPATION IN A JOINT JAPANESE INVESTMENT COMPANY FOR THE PETROCHEMICALS PROJECT WHEN THE COMPANY IS FORMED AT ABOUT THE END OF JULY.

5. OECF PARTICIPATION AS INDICATED REF (A) WILL BE FIFTEEN PERCENT OF DOLS 72 MILLION EQUITY IN ONE PROJECT. ABE NOTED, HOWEVER, THAT TOTAL EQUITY COVERS ONLY ONE FIFTH COST OF ONE OF TWO FACILITIES WITHIN COMPLEX, (TOTAL EXPENDITURE FOR PROJECTS WILL BE DOLS 360 MILLION AND DOLS 290 MILLION, RESPECTIVELY.) JAPANESE EXPORT-IMPORT BANK CAN BE EXPECTED TO PROVIDE SOME OF DEBT FINANCING FOR REMAINDER OF DOLS 360 MILLION PROJECT.

6. ABE ACKNOWLEDGED USE OF OECD FINANCING FOR SINGAPORE PROJECT IS HIGHLY UNUSUAL CONCESSION FOR INVESTMENT IN LIMITED OFFICIAL USE

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PRODUCTION FACILITIES. RECENT EXCEPTIONAL USES OF OECF FINANCING--FOR EXAMPLE, ASAHAN AND ALBRAS ALUMINUM PROJECTS IN INDONESIA AND BRAZIL RESPECTIVELY--HAVE HAD ECONOMIC JUSTIFICATION OF BEING SOURCES OF INDUSTRIAL MATERIALS FOR JAPAN. JAPANESE OFFICIAL PARTICIPATION IN SINGAPORE PROJECT, HE INDICATED, WOULD BE "FOR THEIR COUNTRY" (SINGAPORE NOT JAPAN), I.E. SUCH PARTICIPATION IS IN ESSENCE A POLITICAL CONCESSION DESIGNED TO ALLAY SINGAPOREAN IMPATIENCE WITH UNPRODUCTIVE JAPANESE GESTURES OF PAST AND TO AVOID EMBARRASSING PRIME MINISTER LEE, WHO HAS LONG BEEN COMMITTED TO PROJECT. SINGAPORE SITE WILL PROVIDE SOME COST ADVANTAGE TO PARTICIPATING COMPANIES, BUT PETROCHEMICALS INDUSTRY IN JAPAN RECENTLY HAS NOT ENJOYED SUCH HIGH SUCCESS AS TO ENCOURAGE NEW INVESTMENT. ABE ADDED CURRENT MARKET PROJECTIONS INDICATE ASEAN COUNTRIES WILL ABSORB PRODUCTS OF COMPLEX, BUT HE SAID THAT JAPAN WOULD TAKE SOME OF PRODUCTION IF REGIONAL DEMAND SHOULD FALL VERY SHORT. SINGAPORE RECOGNIZES, ABE SAID, THAT PREPARATION FOR ITS NATIONAL ASEAN PROJECT--A DIESEL

ENGINE FACTORY--IS STILL AT A VERY EARLY STAGE OF CONSIDERATION WITH ONLY A PRE-FEASIBILITY STUDY COMPLETE UP TO NOW. SINGAPOREAN EXPECTATIONS FROM JAPAN, LIKE THOSE HARBORED BY OTHER ASEAN COUNTRIES, ARE ON A "DIFFERENT (AND CONSIDERABLY FARTHER ADVANCED) TRACK." HE COMMENTED THAT THIS GAP WILL BE DIFFICULT FOR JAPAN TO HANDLE AS NEGOTIATIONS WITH ASEAN MEMBERS CONTINUE.

8. ABE SAID THAT AFTER THE COMPANY TO FORM THE JAPANESE SIDE OF THE JOINT VENTURE IS ESTABLISHED, FINAL DISCUSSIONS LEADING TO THE INCORPORATION OF THE JOINT VENTURE ITSELF WILL BEGIN. ALL TWELVE JAPANESE PETRO-CHEMICALS PRODUCERS NOW HAVE JOINED THE INVESTOR BANDWAGON, HE SAID, BUT SUMITOMO EQUITY AT ABOUT DOLS 18 MILLION WILL BE MORE THAN SEVENTY PERCENT OF TOTAL PRIVATE JAPANESE EQUITY, WITH SOME FIRMS OFFERING ONLY TOKEN PARTICIPATION. THE WORK OF THE JOINT VENTURE COMPANY LIMITED OFFICIAL USE

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IN SINGAPORE, HE ADDED, MAY BEGIN AROUND SEPTEMBER. MANSFIELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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